



Tax Modernization Project (TAMP) in Bosnia and Herzegovina

Administered by Development Alternatives, Inc. as contractor for the US Agency for International Development

Monthly Progress Report for USAID-TAMP

For the Month of June 2005

Submitted July 11, 2005

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TAX MODERNIZATION PROJECT (TAMP)

MONTHLY PROGRESS REPORT

April 2004

1. Introduction

This progress report covers TAMP II activities during the month of June 2005. This is the tenth progress report since USAID extended the TAMP-DAI contract on August 23, 2004. The extension period covers September 2004 to June 19, 2006.

These activities are presented in parallel format to the project workplan. For each section, the overall goal is provided, along with the related tasks and tangible results and benchmarks, with the dates that were suggested in the workplan. Each task section includes a listing of the progress made during the month, along with the specific steps tables and the comments on implementation.

2. Highlights and Challenges

This report covers the tenth full month of the extension period. USAID granted the expansion and increased funding with the purpose of moving TAMP activities toward achieving two new objectives: the reform of direct tax policies and the implementation of new systems that would better enable the tax administrations of the two Entities and Brcko to monitor and enforce direct taxation.

Federation Minister of Finance, Mr. Vrankic, presented the new draft Personal Income Tax law that was prepared with considerable TAMP assistance, to Government during June. Government members provided very few comments of substance and the Ministry is now incorporating those adjustments and will present the final draft to Parliament very shortly.

Next to final drafts have been accepted by the RS Tax Reform Commission and very little more needs to be done to bring these drafts before government.

TAMP members have continued to work closely with Ministry of Finance counterparts in the two Entities every step of the way to ensure momentum of these reform efforts.

TAMP staff, Gallagher, Marjanovic, and Tomas worked for several days with the Brcko Property Tax Working Group and developed a draft law. Mr. Osman Osmanovic, Director of the Revenue Agency and head of the Working Group has accepted all of the Working Group's recommendations and has submitted the draft legislation to the Mayor and the rest of Government. TAMP provided the revenue projections that the Brcko District Government is using in its forecasting exercises and in its discussions with the Parliament.

TAMP was planning a very exciting conference for June 15th, but due to coordination problems, this conference had to be delayed. We are now considering holding the conference in late August or early September.

TAMP staff, Bosnic and Sahinagic, held a presentation of Impact on Revenues of the new Enterprise Income Tax Law for the Federation Ministry of Finance, thus opening the door for adoption of the crucial improvements of the Law.

3. International Community Coordination and Policy Reform

3.1. GOAL

To coordinate TAMP reform efforts in tax policy and administration with other International Community participants with active tax reform initiatives planned or underway and to accelerate direct tax reform efforts in support of a modernized direct taxation scheme for BiH.

3.2. Task 1

Assist in the establishment of a Direct Tax Commission (or similar inter-governmental working group) for BiH. Working with OHR and host country counterparts, assist in the formation and operation of an inter-governmental body that will have the capability to be responsible for (i) qualifying all existing and proposed direct taxes, (ii) harmonizing (where appropriate) tax rates among jurisdictions, (iii) setting tax policy, and (iv) consolidating various direct taxes, and (v) analyzing alternatives for raising public revenues, assessing options against their impact on the BiH business environment.

3.3. Tangible Results and Benchmarks

- Direct Tax Commission established by December 31, 2004
- Chief of Party to be available to function concurrently as the international representative on the Direct Tax Commission, subject to BiH government counterpart and OHR approval - through end of task order
- Contractor to provide a secretariat, and office equipment (if necessary) to the Direct Tax Commission to support the administrative work of the commission - through end of task order (**some of the support will terminate in December 05**)
- Train Commission members and staff in tax policy and analysis - through end of task order
- Prepare a report, reviewed by appropriate counterparts and international community organizations active in BiH tax reform, and adopted as policy by the Direct Tax Commission, which describes a rational system of direct taxation for BiH. The report must include a prioritized action plan for implementing the recommendations - February 28, 2005
- Direct taxes consolidated and payment process streamlined - June 30, 2005
- Tax base broadened (number of individuals and enterprises paying taxes increased) - June 30, 2005

3.4. Progress during the month

Specific TAMP Steps to Implement Task 1			
Step	Principal Persons Responsible	Timeframe	Comment
1. Hold discussions in RS and Federation with counterparts to ascertain their interest in participating in a Direct Tax Commission.	Gallagher, Pero Bosnic, Rajko Tomas	Aug-Sep 04	Completed. There is interest in a DTC, but not in creating a new, permanent institution with its own funding.
2. Hold discussions with USAID, USEmbassy, UST, OHR	Gallagher	Aug-Sep 04	Completed
3. Hold sessions on the “SME-Friendly Tax System” (tax paper) with counterparts in RS in Teslic	Gallagher, Bosnic, Tomas	Sep 04	Completed in October 04
4. Review proposed personal income tax (PIT) draft law for Federation and provide input.	Vasak	Sep – Nov 04	Completed
5. Hold sessions with counterparts on tax paper in Sarajevo, including State and Federation	Gallagher, Bosnic, Tomas	Oct 04	Joint sessions held in October 04, including State, Federation, RS, and Brcko
6. Hold session on tax paper with private sector	Gallagher, Bosnic, Tomas	Nov 04	Rescheduled to April 05
7. Hold first DTC session, in TAMP SJ	Gallagher	Nov 04	Joint sessions held in October 04, including State, Federation, RS, and Brcko
8. Publish and distribute “SME Tax Book”	Bosnic	Dec 04	Cancelled
9. Develop training plan	Gallagher, Tomas, Bosnic	Sep 04	Completed
10. Execute Phase I training plan in English	Gallagher, Tomas, Bosnic, Steve Rozner, STTA	Jan 05 – Feb 05	No training this month
11. Execute Phase I training plan in Local language	Gallagher, Tomas, Bosnic, Steve Rozner, STTA	Feb – Mar 05	No training this month
12. Action plan for tax reform, and approved by DTC and IAG-DTG	Gallagher	March 05	work initiated on Federation Public Revenues Law
13. Conferences on “SME Tax Paper” in BL and SJ	Gallagher, Bosnic, Tomas	October 04	Joint sessions held in October 04, including State, Federation, RS, and Brcko
14. Participate in IAG-DTG meetings	Gallagher	Continuing	None held this month
15. Participate in Indirect Tax Working Group	Gallagher	Continuing	Attended
16. Coordinate with DTC	Gallagher	Continuing	Continuing
17. Coordinate with ITG	Gallagher	Continuing	Gallagher

Specific TAMP Steps to Implement Task 1			
Step	Principal Persons Responsible	Timeframe	Comment
			performs this function
18. Organizational development plan and Charter for DTC	Gallagher	Jun 05	Cancelled
19. Ratify DTC Charter	Gallagher	Jul 05	Cancelled
20. Direct Tax Commission fully established as legal, permanent body	Gallagher, Bosnic, Tomas	By Dec 05	Cancelled

3.5. Task 2

Prepare an Organic Law on Public Revenues for both the Federation and Republika Srpska. This law should describe the types of taxes and fees that can be introduced in the entity and clearly define the competencies of the various levels of government (entity, canton [FBiH only] and municipal). These Laws are to be superior to any other canton or municipal law and are intended to provide a coherent, equitable and enforceable direct taxation scheme that is both adequate to the task of providing public revenues and supportive of small and medium enterprise development. Laws are to be fully compatible with applicable EU guidelines.

3.6. Tangible Results and Benchmarks

- Coordinate closely with IMF and attempt to make passage of the organic laws a conditionality of IMF assistance to BiH
- Draft laws prepared and circulated for comment to Direct Tax Commission, OHR and the International Community - March 31, 2005 (**April 05**)
- Laws endorsed by the Direct Tax Commission - April 30, 2005 (**May 05**)
- Laws enacted by entity parliaments - June 30, 2005 (**October, 30, 2005**)

3.7. Progress during the month

The need for Organic Public Revenues laws may be overcome by the elimination of the citizen taxes on income, the wage and entrepreneur taxes, and the various taxes on corporate income and their consolidation into new Enterprise Income Tax (EIT) and Personal Income Tax (PIT). Originally, GTZ was responsible for leading these reforms, but was facing considerable difficulty and TAMP has essentially taken over this leadership role.

- Step 5 Banja Luka team has prepared a draft PIT Model analysis.
 Banja Luka team has prepared a draft EIT Model analysis.
 Sarajevo Team completed report on PIT Model analysis.
 Sarajevo team completed report on EIT Model analysis.
-
- Step 12 Draft Public Revenues Law for the Federation still needs to be developed further and discussed.

Specific TAMP Steps to Implement Task 2			
Step	Principal Persons Responsible	Timeframe	Comment
1. Analysis of “Tax Creep” for Federation	Bosnic	Sep 04	Complete
2. Analysis of “Tax Creep” for RS	Tomas	Oct 04	Complete
3. Report on all fees and charges in RS	Tomas	Sep 04	Complete
4. Report on all fees and charges in Federation	Bosnic	Oct 04	Complete
5. Other special analyses	Bosnic, Tomas	Continuing.	progress on EIT and PIT model analyses for both Entities
6. Prepare document identifying the issues to be addressed for Federation	Bosnic	Mar 05	No action
7. Prepare document identifying issues to be addressed for RS	Tomas	Mar 05	No action
8. Consultations with IAG-T and DTC	Gallagher, Tomas, Bosnic	Mar 05	on going
9. Consultations with IMF	Gallagher	Mar 05	IMF participates in DTC
10. Consultations with World Bank	Gallagher	Mar 05	Invited to DTC but unable to attend
11. Prepare draft law for RS	Tomas, Vasak, local lawyer	Apr 05	Submitted 2/05
12. Prepare draft law for Federation	Bosnic, Vasak, local lawyer	Apr 05	Submitted 2/05
13. Consult with RS counterparts regarding draft law	Tomas	May 05	Ongoing
14. Consult with Federation counterparts regarding draft law.	Bosnic	May 05	Ongoing
15. Consultations with IAG-T and DTC	Gallagher, Tomas, Bosnic	May 05	Ongoing
16. Finalize both draft laws and have them submitted to respective parliaments	DTC, Gallagher	Jun 05	Finalized laws, following procedures
17. Shepherd legislation through Parliaments	Tomas, Bosnic	Jul-Oct 05	Ongoing

3.8. Task 3

Prepare a Law on Real Estate Taxation that modernizes the taxation of real estate in both entities, consistent with EU practice. It is envisioned that real estate taxation will be administered at the municipal level of government, consistent with recent World Bank recommendations in this regard. The taxation of real estate should be linked to the elimination of so-called “nuisance” taxes and fees hindering the operation of SMEs.

3.9. Tangible Results and Benchmarks

- Coordinate closely with World Bank and attempt to make passage of the real estate laws a conditionality of World Bank assistance to BiH

- Draft laws prepared and circulated for comment to Direct Tax Commission, OHR and the International Community - April 30, 2005 (**May 05**)
- Laws endorsed by the Direct Tax Commission - May 31, 2005
- Laws enacted by entity parliaments - July 31, 2005 (**October 05**)

3.10. Progress during the month

TAMP, with CTO approval, will focus only on developing the property tax for Brcko District during 2005.

Step 1: Mr. Osmanovic, Head of Brcko Revenue Agency, has requested TAMP to organize a visit to Montenegro to learn from experience. Brcko officials' travel will be financed by Brcko Government. Gallagher will likely lead this trip in September.

Steps 4: Included in draft law.

Step 11: Draft law submitted to Mayor and Government in June. Budgetary impacts of the law are being prepared by counterparts with TAMP input. TAMP developed revenue simulation model and these forecasts are being used for discussion purposes with Government and Parliament.

Specific TAMP Steps to Implement Task 3			
Step	Principal Persons Responsible	Timeframe	Comment
1. Review experience in Montenegro	Gallagher, Bosnic, Tomas	Oct 04	Completed
2. Consultations with WB and DTC to define feasible solutions	Gallagher	Jan 05	Ongoing
3. Close coordination with and input from GAP	Gallagher	Jan 05	Ongoing
4. Consolidate the multiple fees and charges that have been identified above under Task 1, into single Real Estate Tax	Gallagher, Bosnic, Tomas, Vasak	April 05	This will be done for Brcko, but also will be incorporated in public revenues law.
5. Consultations in RS	Tomas	Jan – Feb 05	cancelled by USAID request
6. Consultations in Federation	Bosnic	Jan – Feb 05	Complete
7. Paper identifying strategy and requirements	Gallagher, Tomas, Bosnic, local lawyer, local economists	Feb – Mar 05	Real Estate analysis and modeling exercises started
8. Legal draft for Federation	Gallagher	Mar – Apr 05	Initial draft for Brcko prepared, RS cancelled by USAID request
9. Legal draft for RS		Mar – Apr 05	

Specific TAMP Steps to Implement Task 3			
Step	Principal Persons Responsible	Timeframe	Comment
10. Consultations with IC and DTC, and DTC approval	Gallagher	Apr – May 05	Ongoing in DTC
11. Laws submitted to respective parliaments	DTC	May 05	
12. Law shepherded in RS	Tomas	Jun – Oct 05	Cancelled
13. Law shepherded in Federation	Bosnic	Jun – Oct 05	Cancelled

4. Business Processes

4.1. GOAL

To ensure that the entity and District of Brcko tax administrations can administer the reform legislation developed by GTZ and under this task order. All three tax administrations to have a simplified, cost effective method of audit and enforcement that boosts compliance with tax laws and regulations.

4.2. Task 4

Support GTZ in implementing profit and income tax legislation in both entities. GTZ aims to have the laws passed by December 31, 2004, with an effective date of January 1, 2005. GTZ will be responsible for the preparation of implementing regulations. The Contractor will be responsible for ensuring that the tax administration systems installed under TAMP II can accommodate the forms and procedures for these new laws.

4.3. Tangible Results and Benchmarks

- Tax administration systems in both entities capable of handling the new income (wage) tax - January 31, 2005
- Tax administration systems in both entities capable of handling the new profit tax - March 31, 2005
- Coordinate with GTZ for the training of tax administration officials and the conduct of the public education campaign in support of the new taxes - through end of task order

4.4. Progress during the month

Steps 1, 2, 3, 4 and 5:

Completed. TAMP is continuing to provide assistance in establishing IT processing procedures to correct or overcome the more common errors taxpayers are making.

Steps 6, 7 and 9:

The new entity PIT and CIT laws are in clearance and are substantially different from the Brcko income tax law. While TAMP's development and implementation work in Brcko will provide methodology and experience that will be helpful, the programming for the new tax declaration forms will require

starting from the beginning and will take considerably more time than that originally expected.

- Step 8: TAMP has completed and delivered to TABD following manuals:
 - User's manual for MD Entry
 - User's manual for Expert Associates program (Accounting)
 - User's manual for control and archiving program
 - Instructions for receipt of returns
 - Instruction for installation - MDEntry
 - Instruction for installation – Program for expert associate (Accounting)
 - Instruction for installation – Program for control and archiving (Archiving)
 - Instruction for installation and maintenance of SnapGear-a
 - Instruction for maintenance of Motorola Canopy devices
 - Manual on procedure for tax returns processing
 - Condensed manual on procedure of tax returns processing
 - Schema – receipt and processing of tax returns for TABD
 - Instruction on submission of data from tax declaration on magnetic/optic media
 - Instruction for receipt of electronic tax returns

Specific TAMP Steps to Implement Task 4			
Step	Principal Persons Responsible	Timeframe	Comment
1. Develop Original Entry (OE), Key Verification (KV) and Error Correction (EC) for TABD Wage Tax (WT) and Withholding Taxes (WHT)	Fikret Hasovic, Nihad Zivojevic	Aug-Oct 04	Completed
2. Develop OE, KV and EC for TABD Income Tax (IT)	Sinisa Vuleta, Fikret Hasovic	Sept-Nov 04	Completed
3. Develop Notices Management for TABD IT	Anita Friedrich Fikret Hasovic	Nov-Dec 04	Completed
4. Develop OE, KV and EC for TABD Profit Tax (PT)	Nihad Zivojevic, Anita Friedrich	Nov-Dec 04	Completed
5. Develop Notices management for TABD PT	Anita Friedrich Fikret Hasovic	Nov-Dec 04	Completed
6. Adapt OE, KV and EC for IT, PT, WT and WHT of TABD to TAFBiH needs (GTZ model)	Sinisa Vuleta, Fikret Hasovic, Nihad Zivojevic	Dec 04-Mar 05	
7. Adapt OE, KV and EC for IT, PT, WT and WHT of TABD to TARS needs (GTZ model)	Zoran Drakulic, Djuro Milosavac	Dec 04-Mar 05	
8. Develop User Manuals for processing IT, PT, Wage and Withholding tax	Sam Greer Admir Zajmovic, Steve Rozner	Mar-May 05	Completed
9. Coordinate with GTZ for TA training, public awareness & education	Greer, Gallagher, Econ/Legal Team	Aug 04-Dec 05	Ongoing

4.5. Task 5

Building upon the automated systems already installed under TAMP II, design and implement a simple, cost effective method of audit and enforcement in each of the three tax administrations. Coordinate efforts with CAFAO, the EU funded contractor formerly active in the audit and enforcement assistance. Focus assistance on those taxes where compliance improvements will yield the greatest benefit. Train enforcement personnel in modern enforcement techniques, using “train the trainer” methodology in order to enhance sustainability.

4.6. Tangible Results and Benchmarks

- Report issued on audit and enforcement recommendations and prioritized implementation action plan - November 30, 2004
- Audit and enforcement software installed and tested – April 20, 2005
- System users trained – April 30, 2005
- Customized monthly reports for enforcement action tracking, in operation – July 31, 2005
- Hands on training of enforcement personnel complete - August 31, 2005

4.7. Progress during the month

Step 3: Greer, with assistance from Rozner, developed a training course for inspection techniques that go beyond the taxpayer’s books and records in search of unreported income. This course, ***Indirect Methods of Determining Income***, will be taught by Greer and Rozner in conjunction with ***Basic Accounting and Auditing*** training that will be conducted by the COP of Private Sector Accounting Reform Project, Liam Coughlin. Training is planned for TABD in July and for the entities in September.

Step 4: The need for an effective audit and enforcement program includes a requirement for developing training/desk manuals for each TA entitled: **Planning and Managing an Audit Program**. Greer and Rozner have developed and taught the TABD version. TAMP has already developed and distributed versions of this manual for each entity TA and has incorporated the input of each TA into their respective manuals.. TARS will receive the training based on this manual in mid-July. The Federation TA will be taught as soon as scheduling can be confirmed.

Greer, with assistance from Rozner, developed a training/desk manual entitled: ***Inspecting Withholding and Contributions Taxes***. This will be taught in each of the TAs as soon as possible after completion of the ***Indirect Methods of Determining Income and Basic Accounting and Auditing*** training in September.

Steps 5, and 6:

A Joint TAMP/TAFBiH team is designing audit selection and case management. The design is progressing slowly because some of the

innovations are new to TAFBiH and we must assure that agreement is reached on each significant step in the process, but the key TAFBiH representative is not always available, the TA has lost designated staff to the ITA, and now vacations are interfering.

- Step 7: The timing for this was changed by the decision of TARS to revert to the use of MS SQL Server (see Task 8, Step 2 for explanation.)
- Step 8: A Joint TAMP/TAFBiH team has developed a preliminary design of a tool for tracking and managing enforcement actions. Development of the IT tool began in June.

Specific TAMP Steps to Implement Task 5			
Step	Principal Persons Responsible	Timeframe	Comment
1. Coordinate with CAFAO and TAs regarding accounting and auditing to determine relative skills of TA staff and quality of any available guidelines	Sam Greer, Ted Kill	Sep-Oct 04	Completed
2. Coordinate with CAFAO and TAs regarding audit and enforcement to review any IT programs in use and the extent of any training provided	Sam Greer, Admir Zajmovic, Salvador Rivera	Sep-Oct 04	Completed
3. Coordinate with the COP of Pvt. Sector Acct'g Reform Project, the TAs, and others; determine accounting and audit training needs; arrange for funding and training of TA staff	Sam Greer, Rajko Tomas, Pero Bosnic,	Aug 04-Mar 05	In Process
4. Develop report on needs for an effective audit and enforcement program including a prioritized implementation plan	Sam Greer, Admir Zajmovic, Salvador Rivera	Oct-Nov 04	Completed. Report submitted.
5. Develop IT program for identifying taxpayers to be considered for audit and provide training to the users	Sam Greer, Salvador Rivera Admir Zajmovic, Nihad Zivojevic	Mar-Apr 05	.In Process.
6. Develop IT tool for case management in TAFBiH and TABD and provide training to the users	Sam Greer, Admir Zajmovic, Fikret Hasovic, Richard Marsh	Mar-Apr 05	In Process.
7. Adapt IT tool for case management in TARS and provide training to the users	Sam Greer Salvador Rivera Admir Zajmovic Zoran Drakulic Djuro Milosavac	May-Jun 05	
8. Develop IT tool for enforcement action tracking and control of cases in TAFBiH and TABD, including monthly monitoring reports. Provide training to the users.	Sam Greer, Salvador Rivera Sinisa Vuleta, Admir Zajmovic. Richard Marsh Nihad Zivojevic	May-Jul 05	In Process
9. Develop User manuals for Items 5, 6, and 8, above.	Sam Greer, Admir Zajmovic	Jul-Aug 05	

Specific TAMP Steps to Implement Task 5			
Step	Principal Persons Responsible	Timeframe	Comment
10. Adapt IT tool for tracking and control of cases to TARS needs, including monthly monitoring reports	Zoran Drakulic	Jul-Sept 05	
11. Provide On-the-Job (OJT), i.e., hands-on training of enforcement personnel	Sam Greer	Nov 04-Aug 05	

4.8. Task 6

Working with RS government counterparts, prepare modifications to the Tax Administration Rulebook so that the organization structure and personnel are aligned with the modernized business processes introduced by TAMP.

4.9. Tangible Results and Benchmarks

- Rule Book modifications drafted and submitted to RS Minister of Finance - September 1, 2004
- Rule Book adopted by RS government - December 31, 2004

4.10. Progress during the month

Specific TAMP Steps to Implement Task 6			
Step	Principal Persons Responsible	Timeframe for Completion	Comment on Progress
1. Meet with Dir TARS to discuss and agree on Rulebook changes	Sam Greer Rajko Tomas	Aug 04	Dir agreed. Completed.
2. TAMP and TARS to prepare Draft Organizational Rulebook that includes a CPC and submit jointly to MOF	Sam Greer Rajko Tomas Dir TARS	Aug-Sep 04	MOF agreed. Completed.
3. Encourage adoption of Rulebook	Sam Greer Rajko Tomas Mark Gallagher	Sep-Dec 04	In progress. Ongoing.

4.11. Task 7

Building upon the automated systems already installed under TAMP II, and working closely with EU and CAFAO counterparts, design and implement a scheme for data sharing (i) among entity and district tax administrations and (ii) between these three direct tax administrations and the *about-to-be-formed* state level Indirect Tax Administration. The intention is to have in place, by the end of the task order, the technical ability to share taxpayer information among all tax administrations, countrywide, on a real time basis. This technical ability will hopefully foster greater cooperation on a political level. This aspect of the activity will require substantial diplomatic skills in addition to the technical requirements of the work.

4.12. Tangible Results and Benchmarks

- Prepare a report describing the work that needs to be performed in order to accomplish sharing of key taxpayer data among tax administrations country-wide - October 31, 2004
- Coordinate closely with CAFAO VAT implementation team to eliminate duplication of effort (e.g., taxpayer registration) and to maximize the benefits of sharing of taxpayer information (e.g., refunds not made on one tax type when taxpayer has a balance due on another tax type)
- Achieve country-wide automated taxpayer data sharing capability - January 1, 2006

4.13. Progress during the month

Step 5: The ITA is now in the beginning stages of taxpayer registration and does not have software development and availability to define data to be shared.

Specific TAMP Steps to Implement Task 7			
Step	Principal Persons Responsible	Timeframe for Completion	Comment on Progress
1. Determine key counterparts for data sharing	Sam Greer, Salvador Rivera, Admir Zajmovic	Sep 04	Completed
2. Determine work needed in order to accomplish key taxpayer data sharing	Sam Greer, Admir Zajmovic	Oct 04	Determination completed.
3. Coordinate data sharing needs and mechanisms with TAs and CAFAO and ITA	Sam Greer, Admir Zajmovic, Edin Culov	Nov 04-Feb 05	In process. Awaiting info from CAFAO
4. Design schema and rules for data sharing	Admir Zajmovic, Salvador Rivera	Mar-Apr 05	In process
5. Coordinate with TAs and CAFAO to define the data to be exchanged	Salvador Rivera, Admir Zajmovic, Sam Greer	May-Jun 05	
6. Create tool to send data out and implement	Sinisa Vuleta, Admir Zajmovic Zoran Drakulic	Nov-Dec 05	
7. Create tool to receive data in and implement, including provision of training	Fikret Hasovic, Admir Zajmovic Zoran Drakulic	Nov-Dec 05	

5. Central Processing Centers

5.1. GOAL

Complete the establishment of Central Processing Centers (CPC) in tax administrations in both entities. Install hardware, software, communication capability, and train users. Emphasis must be on cost effective solutions able to be fully sustained by the tax administrations at the conclusion of the technical assistance.

5.2. Task 8

Complete the Central Processing Centers in Banja Luka (for the RS) and in Mostar (for the Federation). Install hardware and software appropriate to a modern centralized tax processing

center, but do not “overbuild” the system, keeping in mind the cost effective sustainability mandate for this technical assistance. Microwave “canopy” data communication system installed and deemed adequate to support efficient operation of the CPC. Implement taxpayer service capability.

5.3. Tangible Results and Benchmarks

- CPC operational in Banja Luka – November 30, 2004
- CPC operational in Mostar - August 31, 2004

5.4. Progress during the month

Step2: TARS decided that the MS SQL Server would better serve their needs. At TARS’ request we met, discussed and developed a joint plan to complete all tasks as required in this workplan. This workplan is in the approval process between TAMP and TARS. It is anticipated that this plan will be finalized soon.

Step 3: TAMP is continuing assistance to TAFBiH in the process of transferring taxpayer accounts; however, completion has been delayed pending essential actions by TA.

Step 4: CIPS has assumed all responsibility for wireless installations. In May, TAMP arranged a presentation of the communications systems for MOF and TA Staff. A working group was established to address on-going problems and concerns and consists of representatives of the TAs and CIPS, with TAMP providing coordination and technical assistance. TAMP coordinates regular meetings between representatives of the entity TAs and CIPS to discuss communications issues and analyze back-up communications options available to the TA Branch Offices. Among other activities, CIPS, in cooperation with TAMP, has established and dedicated back-up telecom lines to the CPC in Mostar, as well as to Branch Offices in Mostar, Capljina, and Tuzla.

Steps 7 and 8:

Back-up communication alternatives have been defined and TAMP is continuing assistance to connect TA offices to the CPCs . Toward this end, installation of an RAS server at the Testing and Processing Center (TAPC) in Sarajevo has nearly been completed.. In addition, microwave connections have been established for the Branch Offices in Novi Travnik and Vitez. TAMP continues to provide daily technical assistance to TA IT staff throughout the Federation.

Step 9: Completed in the RS. In TAFBiH, hardware has been provided. TAMP is awaiting availability of ISDN lines and modems for Branch offices.

Step 13: TAMP team trained TABD officials to use new features in software. Also TAMP provided training for a total of 20 TAFBiH staff (four representatives from each of the Cantons Tuzla, Gorazde, Mostar, Bihac and Travnik - one IT support, one Head of Branch Office and two Expert associate),.

Step 15 Although TAFBiH was to assume responsibility for this type of on-going systems improvement in April, it has become clear that they are not ready to do so. We

therefore anticipate additional software modifications and new features will be requested by users.

Step 17: TAMP has started porting applications servers to Linux platform.

Step 19: TAMP has developed a joint work plan with TARS for full transfer of ownership and responsibility for IT systems to TARS after completion of tasks in the work plan. This same approach is being pursued for TAFBiH.

Specific TAMP Steps to Implement Task 8			
Step	Principal Persons Responsible	Timeframe	Comment
1. Meet with Dir TARS to discuss and agree for TARS to temporarily assume MW system maintenance and rental cost for the four towers now installed in the RS (until CIPS gets backbone usage and assumes)	Sam Greer Rajko Tomas	Aug 04	Completed.
2. Transfer TARS current database system from MS SQL to Firebird and kbmmw (middleware) for consistency of design with other TAs and sustainability	Zoran Drakulic Djuro Milosavac	Sept 04 – Apr 05	In Process
3. Transition of taxpayer accounts to new database (TAFBiH)	TAMP IT team – Sarajevo	Aug-Oct 04	Dev. Complete. Impl. started in coordination with TAFBiH
4. Complete installation and setup of wireless network backbone	Edin Culov, Mensudin Fejzic, Goran Drakulic	Aug-Dec 04	Completed Mostar connection
5. Establish rules and procedures for communication bandwidth sharing	Mensudin Fejzic	Sep-Oct 04	Completed
6. Establish Bandwidth Management and Network Monitoring Center	Mensudin Fejzic	Oct–Nov 04	Completed
7. Connect TA Offices that are planned for wireless network with backup communications alternatives	Edin Culov, Mensudin Fejzic, Goran Drakulic	Aug-Dec 04	In Process
8. Connect the TA offices that will not have wireless network availability with PTT or other service providers	Edin Culov, Mensudin Fejzic	Aug-Dec 04	In Process
9. Install all hardware to be provided to the TAs	Mensudin Fejzic, Goran Drakulic, TAs	Aug-Nov 04	Completed in TARS. In Process in TAFBiH
10. Transfer Canopy tower rental, hardware and maintenance responsibility to CIPS; transfer premises equipment and security maintenance hardware and software to TAs and other end users	Sam Greer Edin Culov	Sep04-Mar05	Completed
11. Change existing TP registration to on-line registration (TAFBiH and TARS)	Anita Friedrich, Mensudin Fejzic	Sep - Nov 04	Completed in TARS. In Process in TAFBiH

Specific TAMP Steps to Implement Task 8			
Step	Principal Persons Responsible	Timeframe	Comment
12. Develop, test & implement IT Controls & Archiving procedures in TAFBiH and TABD offices	Sinisa Vuleta	Aug - Oct 04	Completed
13. Provide Training to IT staff from Cantonal/Regional offices and TA operators in Branch & Local offices	Admir Zajmovic, Nihad Zivojevic, Sinisa Vuleta Fikret Hasovic	Sep-Oct 04	Completed. TAMP will provide training for new features.
14. Modify TARS tax declarations software for scanning of tax declarations in local offices, for flexibility in work assignment and for computerized KV	Zoran Drakulic Djuro Milosavac	Jan-Apr 05	Completed.
15. Expand TAFBiH CPC inputs from Branch Offices and enhancement of CPC operations	Sinisa Vuleta, Fikret Hasovic, Nihad Zivojevic	Jan - Apr 05	In Process
16. Coordinate with TA officials to fully implement automated taxpayer certification procedures in TARS and TAFBiH	Zoran Drakulic Sinisa Vuleta	May-Jun 05	
17. Fine tune and optimize all applications for TAFBiH and TABD	Fikret Hasovic	May - Jul 05	In Process
18. Prepare technical and user documentation for communications, hardware and software developed	Salvador Rivera, Admir Zajmovic, Edin Culov, Mensudin Fejzic	Oct - Dec 04	Completed. TAMP will update for new features
19. Prepare transition plan for the transfer of TAMP project to TA	Sam Greer, Admir Zajmovic	Jul - Aug 05	In Process
20. Develop automated Management Information System (MIS) for TARS	Zoran Drakulic Admir Zajmovic	Sept-Oct 05	
21. Develop automated Management Information System (MIS) for TAFBiH & TABD	Sinisa Vuleta Fikret Hasovic Admir Zajmovic	Aug-Oct 05	